

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 781 - SB 770**

February 27, 2021

**SUMMARY OF BILL:** Deletes the Private Investigation and Polygraph Commission (PIPC) and Board for Licensing Alarm Systems Contractors (BASC). Transfers all authoritative power from the PIPC and BASC to the Commissioner of the Department of Commerce and Insurance (DCI), under a newly-established Detection Services Licensing Program (DSLPP) in the Division of Regulatory Boards.

Deletes the Locksmith and Private Security Regulatory Fund and State Board of Alarm Contractors Fund, encompassing all moneys collected pursuant to the Locksmith Licensing Act of 2006, Polygraph Examiners Act, and Alarm Contractors Licensing Act of 1991. Transfers the existing money in the aforementioned funds, and future moneys collected under the PIPC and BASC to a fund created to administer the DSLPP. Creates a Detection Services Advisory Committee to assist in the implementation of the DSLPP.

Deletes the requirement for a licensed private investigator to be affiliated with a licensed investigations company. Deletes the license requirement for branch offices of an investigations company.

Deletes the requirement for alarm system contractor employees installing closed circuit television systems (CCTV) to be certified in the practice. Lessens the experience and educational requirements for an alarm system qualifying agent license.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – Net Impact – \$900/FY21-22 and Subsequent Years/  
Division of Regulatory Boards**

**Decrease State Expenditures - \$10,600/FY21-22 and Subsequent Years/  
Division of Regulatory Boards**

**Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-sufficient over any two-year period. The Board of Private Investigation & Polygraph experienced a deficit of \$3,362 in FY18-19, a surplus of \$35,728 in FY19-20, and had a cumulative reserve balance of \$433,891 on June 30, 2020.**

**The Board of Alarms Systems Contractors experienced a surplus of \$157,420 in FY18-19, a surplus of \$52,211 in FY19-20, and had a cumulative reserve balance of \$2,310,379 on June 30, 2020.**

**The Board of Private Protective Services experienced a surplus of \$366,435 in FY18-19, a surplus of \$330,287 in FY19-20, and had a cumulative reserve balance of \$3,096,365 on June 30, 2020.**

*Assumptions relative to the Detection Services Licensing Program:*

- The PIPC is comprised of 9 members that meet quarterly. The BASC is comprised of 5 members that meet every two months, or six times annually.
- Members of each entity are authorized to receive reimbursement for travel expenses to attend meetings.
- Members will receive \$0.47 per mile roundtrip; the average miles travelled per member is estimated to be 234 miles roundtrip. The average mileage reimbursement for each meeting is estimated to be \$110 (\$0.47 per mile x 234 miles).
- Current travel reimbursement annually paid to members of the PIPC and BASC is \$15,400 [ $\$110 \times (9 \text{ members} + 5 \text{ members}) \times (4 \text{ meetings} + 6 \text{ meetings})$ ].
- The Detection Services Advisory Committee will be comprised of 11 members, estimated to meet quarterly.
- Annual travel reimbursement for the new Committee will be \$4,840 ( $\$110 \times 11 \text{ members} \times 4 \text{ meetings}$ ).
- A recurring decrease in state expenditures, beginning in FY21-22, of \$10,560 ( $\$15,400 - \$4,840$ ).
- The Division of Regulatory Boards can merge the moneys in the Locksmith and Private Security Regulatory Fund and State Board of Alarm Contractors Fund into the DSLP fund within existing resources.
- Pursuant to Tenn. Code Ann. § 62-35-137, revenue from locksmith licensing is collected under the Board of Private Protective Services (BPPS), along with revenue from occupational licensing for contract security companies, and armed/unarmed security guard/officers.
- According to DCI, it is unknown how much of the BPPS total reserve is attributed to locksmith licensing revenue.
- The Division of Regulatory Boards can support any decrease in revenue to the BPPS within existing resources.
- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-sufficient over any two-year period. The Board of Private Investigation & Polygraph experienced a deficit of \$3,362 in FY18-19, a surplus of \$35,728 in FY19-20, and had a cumulative reserve balance of \$433,891 on June 30, 2020.
- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-sufficient over any two-year period. The Board of Alarms Systems Contractors experienced a surplus of \$157,420 in FY18-19, a surplus of \$52,211 in FY19-20, and had a cumulative reserve balance of \$2,310,379 on June 30, 2020.
- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-sufficient over any two-year period. The BPPS experienced a surplus of \$366,435 in FY18-19, a surplus of \$330,287 in FY19-20, and had a cumulative reserve balance of \$3,096,365 on June 30, 2020.

*Assumptions relative to Licensed Private Investigators:*

- Pursuant to Tenn. Code Ann. § 62-26-204(c), every licensed private investigator is required to maintain a place of business at a licensed investigations company.
- The proposed legislation establishes that a licensed private investigator is required to record a business address, but not be affiliated with a licensed investigations company.
- It is assumed the majority of licensed investigators will continue to be affiliated with a licensed company; the proposed legislation is not estimated to significantly decrease the number of licensed investigations companies or significantly increase the number of licensed private investigators.
- Pursuant to Tenn. Code Ann. § 62-26-204(d), if an investigations company maintains more than one place of business within the state, the company is required to obtain a branch office license for each location.
- The proposed legislation deletes the provision requiring branch licenses for additional investigations company locations.
- There are four active investigations company branch licenses. Branch renewals are \$100 every two years.
- A recurring decrease in state revenue, beginning in FY21-22, of \$200 [(4 x \$100) / 2-year renewal].

*Assumptions relative to Alarm Systems Contractors:*

- Pursuant to Tenn. Code Ann. § 62-32-312(g)(1), all alarm system contractor employees who sell, install or repair alarm systems, including closed circuit television systems (CCTV), are required to complete relevant training and certification.
- The four certifications available to alarm system contractors are CCTV, alarm monitoring, fire, and burglary.
- Pursuant to Tenn. Code Ann. § 62-32-312(i), any costs associated with the individual training and certifications are the responsibility of the contractor. Exams, training, and continued education for the individual certifications are performed by authorized third parties.
- According to Chapter 0090-01 Rules of the BASC, alarm systems contractor companies, qualifying agents, and registered employees pay license renewal fees based on single or multiple certifications.
- There are 23 alarm system contractor companies solely certified in CCTV. Deleting the requirement for CCTV would decrease state revenue annually, beginning in FY21-22, by \$2,875 [(23 x \$250) / 2-year renewal].
- It is estimated that the number of qualifying agents and registered employees certified in a single classification is minimal.
- Pursuant to Tenn. Code Ann. § 62-32-313(c), a qualifying agent license applicant is required to have one of the following educational requirements: four-year degree in electrical engineering or similar from an approved university with at least two years actual alarm industry experience; an associate's degree in engineering technology from

an approved technical college with four years actual experience; or current certifications and five years actual experience.

- The proposed legislation authorizes a qualifying agent applicant to have: a post-high-school degree from an approved university, college, or technical school; or current certifications and three years actual experience.
- According to a roster on the DCI website, there are currently 764 active qualifying agent licenses in Tennessee.
- It is reasonably assumed that with the significantly reduced educational and training requirements for licensure as a qualifying agent, a management position, 10 new licensees would be approved annually.
- A recurring increase in state revenue, from initial application fees of \$200, plus an estimated \$100 for two individual certification fees per classification (\$50 each), totaling \$300 (\$200 + \$100) annually.
- A recurring increase in state revenue of \$3,000 (10 x \$300).
- An additional recurring increase in state revenue of \$1,000 [(10 x \$200) / 2 years] for 10 qualifying agent employees with multiple certification classifications renewal fees at \$200 every two years.
- A total recurring increase in state revenue, beginning in FY21-22, from 10 additional qualifying agent licenses of \$4,000 (\$3,000 + \$1,000).

*Assumptions relative to Total State Impact:*

- A recurring increase in state revenue from 10 additional qualifying agent licenses of \$4,000 (\$3,000 + \$1,000).
- A recurring decrease in state revenue of \$3,075 (\$200 investigations company branch + \$2,875 CCTV certification).
- The total recurring net increase in state revenue, beginning in FY21-22, is estimated to be \$925 (\$4,000 - \$3,075).
- A total recurring decrease in state expenditures, beginning in FY21-22, of \$10,560 (\$15,400 - \$4,840).

**IMPACT TO COMMERCE:**

**NOT SIGNIFICANT**

**Assumptions:**

- A recurring increase in business expenditures for 10 additional qualifying agent licenses of \$4,000 (\$3,000 + \$1,000). However, no such agents would be obtaining the license in the absence of anticipation of business revenue significantly surpassing the cost of such licenses.

- A recurring decrease in business expenditures for deletion of the investigations company branch license and CCTV certification requirement of \$3,075 (\$200 investigations company branch + \$2,875 CCTV certification).
- Overall, the impact on commerce and jobs in this state is estimated to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, flowing style.

Bojan Savic, Interim Executive Director

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